



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1487 (1955)

October 24, 1986

SUBJECT: Payments by FmHA Borrowers After Acceleration

TO: All State Directors, State Directors-at-Large,
Farmer Program Chiefs, District Directors,
and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to provide guidance for accepting payments from borrowers who sell security after the acceleration of their accounts.

COMPARISON WITH PREVIOUS AN

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1955-A, Section 1955.15(d)(3) states that, "the servicing official will accept no payment for less than the unpaid loan balance, unless State law requires that foreclosure be withdrawn if the account is brought current and a State Supplement is issued to specify this requirement." We have received several questions regarding the acceptance of payments from the sale of security and recommend you proceed as follows.

If a borrower sells all security (chattels and real estate) after acceleration, but before the foreclosure sale of the real estate or sale of chattels, the sale proceeds can be applied on the borrower's account(s).

If a borrower sells part of the real estate and/or chattel security after acceleration, but before the foreclosure sale of the real estate or sale of chattels, the sale proceeds cannot be applied to the borrower's account(s), even if they are sufficient to bring the account(s) current.

EXPIRATION DATE: August 31, 1987

FILING INSTRUCTION: Preceding
FmHA Instruction 1955-A



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1487(1955)

Such proceeds may be deposited in a borrower's FmHA Supervised Bank Account (SBA) with prior approval of the Office or the General Counsel (OGC). Such proceeds must remain in the SBA until the liquidation is completed at which time they will be applied to the account(s).

There is one exception to the rule stated in the paragraph immediately above this one. If you are in a State in which the State law requires that the foreclosure be withdrawn when the account is brought current, then FmHA must apply the proceeds to the borrower's account(s) and drop the foreclosure. However, even in these States, FmHA does not have to withdraw the foreclosure if the proceeds do not bring the account(s) current. Instead the proceeds may be deposited in a borrower's SBA with OGC's prior approval. These proceeds must remain in the SBA until the liquidation is completed, at which time they will be applied to the account(s).



VANCE L. CLARK
Administrator